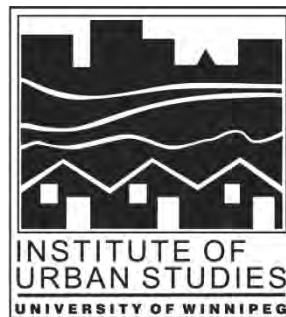


Feasibility Study on the Development of a Municipal Nonprofit Housing Corporation for the City of Regina

1987

The Institute of Urban Studies





THE UNIVERSITY OF
WINNIPEG

FOR INFORMATION:

The Institute of Urban Studies

The University of Winnipeg
599 Portage Avenue, Winnipeg
phone: 204.982.1140
fax: 204.943.4695
general email: ius@uwinnipeg.ca

Mailing Address:

The Institute of Urban Studies

The University of Winnipeg
515 Portage Avenue
Winnipeg, Manitoba, R3B 2E9

FEASIBILITY STUDY ON THE DEVELOPMENT OF A MUNICIPAL NONPROFIT HOUSING CORPORATION FOR THE CITY OF REGINA

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December, 1987

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

The following discussion documents the rationale for creating a municipal nonprofit in the City of Regina. At the same time, it clearly points out the risks and responsibilities that are associated with the creation of such an agency.

There is an identified need for additional support for social housing initiatives in Regina. The province has reduced its role in this area and thus has less influence with the senior level of government on policy and program issues. The social housing goals of the City identify a desire to support initiatives to provide and retain low income housing stock, become better informed on the needs of low income groups, and to ensure federal and provincial programs are connected with municipal planning objectives.

Within this context a municipal nonprofit could play a very constructive role, working at the grass roots to identify housing problems, co-ordinating a variety of municipal, federal and provincial initiatives and actively delivering and managing projects for a variety of low income and special needs groups. Given proper political and financial backing a municipal nonprofit could play a very effective housing role in the City.

There should be no illusion, however, that creating such an agency is not without risks and problems. To be successful the agency would need strong policy and financial support from the City. The agency would also have to compete with other private nonprofits for limited and declining units under federal and provincial programs. As well, it would involve the City more directly in many of the thorny problems associated with property management and program delivery that it currently avoids by leaving such responsibilities to the senior levels of government.

There are a number of steps the municipality must take if it decides to create a nonprofit. Documenting these steps will help the municipality in its deliberations on this decision:

- 1) initially the agency should consist of a minimum of three staff but should be expanded to five to six staff within a few years if it is to be a viable, effective operation.
- 2) the municipality must be prepared to provide an operating grant of up to \$150,000 per year for the first three to five years of operation.
- 3) the municipality must play an active role in negotiations with the province to obtain a portfolio of units for the agency. Up to 150 units would be suitable in the first couple of years of operation. This may require debt financing of up to \$7,000,000.
- 4) to provide an effective agency and one with the flexibility to undertake creating initiatives as well as effectively represent the municipality, an initial start-up grant of \$500,000 should be provided. This would provide the nonprofit with the flexibility to undertake some limited initiatives on its own and not leave it entirely as a delivery agent for the senior levels of government. It is most unlikely the province or the federal government would cost share this start-up grant so the City would have to provide the full amount.
- 5) the municipality must be prepared to lend policy, planning and technical support, particularly in the program delivery context. This support should be provided by current City staff.

If the Municipality decides to proceed with the creation a nonprofit it is advised that the agency be very closely associated with existing municipal staff. It could be a corporation with reporting responsibilities to the Planning or Social Development Departments. This would be a structure similar to Peel, Ottawa, and Toronto. A more autonomous body would be more "at-arms-length," removing the City from many problems associated with delivery and management but it would not ensure the extensive support the municipality must provide to any agency that is created.

RECOMMENDATION

A municipal nonprofit would serve a very useful role in the variety of areas that are important to the City in its attempt to play an active and constructive role in the provision of social housing as well as other related activities. However, unless the City is prepared to support the agency in the manner outlined in this report such an agency should not be created. Without this support the nonprofit would be weak and ineffectual.

1.0 INTRODUCTION

Several urban municipalities in Canada have established successful nonprofit housing corporations over the last two decades. By playing a strong advocacy role with senior levels of government as well as initiatives of their own these organizations have been instrumental in increasing the supply of low income housing. Generally, such organizations have been able to utilize funding from municipal and senior governments to provide housing and program options that are not generally attempted under the auspices of the higher volume provincial and national programs, for example, the purchase and rehabilitation of older inner city residential properties or the conversion of older commercial buildings to residential use.

City Council recently entertained a motion to examine the possibility of establishing a Municipal Nonprofit Housing Corporation in Regina. The following discussion focuses on the advantages and disadvantages of establishing such an entity.

2.0 MUNICIPAL SOCIAL HOUSING POLICY

The City of Regina recently completed a major Housing Study as well as a Social Housing Strategy which was adopted by Council on July 7, 1986. These two reports provide the necessary background on housing need and City housing policy to help assess the role and implications of establishing a municipal nonprofit.

2.1 The Need for Social Housing in Regina

Evidence presented in the City of Regina Housing Study indicates that in 1986 there were close to 4700 households of all ages with housing problems. To respond to these households there were just over 2900 units of social housing. Each year, the growth in households with housing problems is over 100 but the City is generally allocated less than 100 units of subsidized housing from Federal and Provincial programs. It is obvious that there is a substantial and growing demand for social housing in Regina.

2.2 Current Municipal Social Housing Policy

Faced with this significant and growing demand for social housing City Council adopted a number of social housing goals. These goals were designed basically to ensure additional municipal input to policy and delivery initiatives of the senior partners and also to maintain and increase the stock of housing for low income households.

Specific goals include:

- to support the provision, retention and viability of low income housing stock through continued municipal commitment to revitalization programs.
- to be informed about the specific housing needs of low income groups and to assess the adequacy of federal and provincial housing programs designed to meet those needs.
- to ensure that the delivery of federal and provincial housing programs is consistent with broad municipal planning objectives for each area of the City.

- to encourage and promote an adequate supply and mix of affordable housing in all areas of the City, particularly for low income people.

However, having approved these goals or objectives City Council also approved the following policy position.

That the City of Regina not assume additional financial responsibility for housing but urge the senior governments to maintain their traditional funding responsibility for providing housing for low income individuals and for assisting third parties in providing low income housing.

What these policies suggest is that the City is prepared to play a greater role in housing, to become better informed on housing matters, to play a strong advocacy role and act as spokesman for housing concerns when it comes to negotiations with the senior levels of government and to continue related programs such as infrastructure catch-up, but at the same time there appears to be no commitment to additional funding. This policy framework is important in assessing the viability of a municipal nonprofit.

3.0 MUNICIPAL NONPROFIT HOUSING CORPORATIONS IN CANADA

Recently, municipalities in Canada have taken a more active role in the provision of nonprofit housing. In 1981, only 13 municipalities administered nonprofit housing corporations. Today, over 100 such entities exist in Ontario alone. Increased municipal involvement in housing has largely been a response to unfulfilled needs and the realization that senior government funding cutbacks will produce an even more critical situation.

Municipal involvement in housing need not only imply the active provision of units for special need households. Municipalities may initiate housing activities by making land available through zoning or from city land banks, servicing, infrastructure provision, analyzing housing demand and supply, and negotiating with senior governments to provide programs which respond to specific market areas. Municipalities have tremendous power in the regulatory process and hence, are well equipped to facilitate the moving through of social housing programs. Municipalities can facilitate the provision of nonprofit housing while leaving the design and management of such projects to nonprofit and cooperative sponsors.

Several of Canada's larger municipalities have become well immersed in housing activities - these cities have established Housing Departments and Municipal Nonprofit Housing Corporations. Working together these groups have taken on the responsibilities of all facets of nonprofit housing provision including, land assembly, project design, construction, and ongoing management. (Such has also been the case, but on a smaller scale, with numerable smaller municipalities.) Although most municipalities have experienced, and no doubt will continue to experience problems, their contribution to social housing is significant. Toronto, Ottawa, and the Region of Peel, three of Canada's largest municipal nonprofits, provide a combined total of over 11,000 units, many of these shelter senior citizens, low income families and single individuals, as well as disabled persons.

With decreased senior government participation in the housing market, many municipalities have accepted the responsibility for providing affordable and

adequate housing for special need households. It is likely other municipalities may need to follow suit.

In assessing the feasibility of a municipal nonprofit for the City of Regina several nonprofit agencies across Canada were contacted. Telephone interviews were conducted with staff and information obtained on the nature of the organization, their relationship to the municipality, staffing levels, sources of revenue, level and type of activity, portfolio size and problems they are facing. The nonprofits contacted varied in size from Roxborough with 2 part time staff, a portfolio of 26 units for seniors in a centre with a population of 300 people to City Home in Toronto with an inventory in excess of 5,200 units. Although there is naturally considerable variation from one agency to another, it is possible to document certain common characteristics that are relevant to the discussion of a nonprofit for the City of Regina.

- all nonprofits have faced a reduction in activity levels. This is not related to declining need for housing for low income people but to declining program levels at both the federal and provincial levels.
- some nonprofits have entered a management mode and their activities are related basically to the management of the portfolio they had established up until three to four years ago.
- some nonprofits have been in a better position than others to cope with declining budget levels and the effects it has on operations in general. Their more favourable position is due to a number of factors including:
 - . they have developed a critical mass of units in their portfolio capable of absorbing operating costs and/or generating equity for new ventures. A portfolio of 300 to 500 units appear to be necessary for a viable operation.
 - . they receive greater support (funding, policy, technical and other) from their municipalities. For example several have received or continue to receive revenue in the form of land subsidies, front end financing or annual operating grants.
 - . they retain all operations in-house including property management, construction management and maintenance. This generates revenue such as fees for property and construction management for the organization as opposed to having this revenue go to private or other outside agencies.
 - . they sell their expertise in planning, design, contract management and property management to other private nonprofit groups and the municipality. For example, Peel Nonprofit does a lot of work for the municipality on a fee for service basis.

- . they have expanded their expertise into areas other than housing. For example they have sponsored mixed use residential/commercial projects and rent the commercial space on a profit making basis.
- . they are undertaking joint ventures with the private sector that are targeted at the market in general as opposed to low income households. The objective is to generate a profit that will support other nonprofit activities. Many see this as a key to self-sufficiency in the future.
- . they are providing shelter to a wider range of client or target groups, not all of whom are the very low income households. The emphasis is still, however, on family housing in the case of most nonprofits.

Other characteristics common to many nonprofits that are important to a discussion on the feasibility of a municipal nonprofit in Regina include:

- operational mandates have tended to be very flexible to facilitate responsiveness to identified needs in terms of target client groups, building types, location of activity and changing market conditions. More flexibility than the provincial or federal housing agencies has been a significant characteristic.
- many nonprofits have structural connections with their municipalities (through Boards of Directors and/or staff, organizational/staff relationships etc.) that foster policy co-ordination and provide the agencies with considerable influence in municipal decisions which affect them. These connections or relationships also allow these nonprofits to speak with greater authority when dealing with federal and provincial agencies.
- most nonprofit agencies still place the emphasis on meeting needs that private sector or other public agencies do not respond to but many have also expanded their clientele beyond the low income categories.
- repair, renovation and conversion of older residential and non-residential buildings has been an activity characteristic of many municipal nonprofits. However, with reduced budget levels and funding flexibility there has been more concentration on new construction. Renovation activity requires greater expertise, is more labour intensive and is associated with increased uncertainty regarding the potential scale of work and costs for a project. It is not an activity that fits well into a tight budget scenario, although most agencies contacted suggested that it is an area that has been neglected by other private and public sector agencies, particularly renovation and conversion aimed at lower income groups and therefore should be a continuing target area for municipal nonprofits.

In summary, given today's circumstances with respect to budget levels, a municipal nonprofit has a much better chance of carrying on a viable operation if it receives strong policy, technical and funding support from the municipality; has a substantial inventory of units; retains all management and development functions in-house; and, expands its activities beyond housing for the lower income groups as well as targeting to specific market niches not accommodated by other private and public sector agencies. Flexibility is key to a successful organization which also means, that any nonprofit, if it is to do more than just manage an existing portfolio, must maintain a core of competent and skilled staff.

4.0 SPECIAL HOUSING NEED IN REGINA

Many households in Regina have special housing needs which are not provided in the private market. As well, not all these households can obtain accommodation under federal and provincial housing programs. These households include: low income and frail senior citizens; the disabled (mentally, physically, and emotionally handicapped); low income families including native and single-parent families; families and non-elderly single persons not eligible for subsidized units; and, the homeless or "street people." In 1986, the demand for subsidized housing for all client groups was estimated at 4672 dwelling units - only 2902 units of social housing were available. Additionally, total demand for subsidized units is estimated at 126 units per year for the next five years.

Table 1 illustrates Regina's current social housing inventory and projected housing demand for special need households. At present, there are no less than 4670 units or rooms and 1660 beds available for senior citizens, low income families, and the homeless. (Accommodation figures for the disabled were not available.) Although accommodation waiting lists are subject to the overlap and duplication of special need households, those requesting housing assistance are substantial in number. Furthermore, housing need for these households is not projected to decline. Estimates suggest that by 2001, a minimum of an additional 1800 units and 740 beds will be needed by special need households in Regina. This does not include accommodation for the disabled, particularly acute care patients which already exceed 130 on waiting lists, nor does it account for the ever increasing number of homeless or street people. It is estimated that the number of non-elderly low-income non-family households will increase by over 700 between 1986 and 2001. For these households, at present, there are a mere 164 rooms available in Regina for semi- or permanent occupancy. Measures must be taken to accommodate the present and future needs of special need households in Regina and a municipal nonprofit could play an active role in addressing these needs.

TABLE 1. SPECIAL NEED HOUSING IN REGINA

<i>Client Group</i>	<i>Current Housing Inventory</i>	<i>Projected Housing Need</i>
<i>Senior Citizens (2081)</i>		<i>897 additional units between 1985-2001</i>
<i>Independent</i>	<i>2070 subsidized households</i>	
<i>Elderly Native</i>	<i>1149 Public, 737 Nonprofit, 184 Co-operative</i>	
<i>Frail Elderly</i>	<i>1486 Nursing Home Beds 176 beds in acute care facilities</i>	<i>740 additional nursing home beds between 1987-2001</i>
<i>Disabled</i>	<i>Private Dwelling Modification Grants Boarding Care Homes (1-3 persons) Group Homes Type 1 (1-10 persons) Adult Care Homes (4-14 persons) Group Homes Type 2 (short term) Special Care Homes (15+ persons) Acute Care Hospital Approved Homes (1-6 persons) Residential support services</i>	<i>need for licensed government subsidized care homes, need for more chronic care beds in acute care facilities</i>
<i>Low Income Families (2421)</i>		
<i>Family (including single parent)</i>	<i>2200 subsidized units 221 co-operative units</i>	<i>800-900 additional family units between 1986-2001</i>
<i>Native</i>	<i>644 of 2200 family units are specifically for Natives (additional 130 Native units allocated in 1984)</i>	<i>700 Native family households on waiting list</i>
<i>The Homeless (164)</i>	<i>164 rooms available for semi- or permanent accommodation</i>	<i>estimated increase of 715 non-elderly low income non-family households between 1986-2001</i>

5.0 GOVERNMENT HOUSING PROGRAMS IN REGINA

Government involvement in the Regina housing market has been a significant factor in affecting the supply of housing in the City. Between 1975 and 1985, the federal government through Canada Mortgage and Housing Corporation (CMHC) and the provincial government through Saskatchewan Housing Corporation (SHC) offered 16 housing programs in Regina. These programs were designed to either stimulate new construction or prompt maintenance and renovation to existing stock. Recently however, emphasis on government capital outlay has been directed to servicing the current debt load and maintaining present units rather than new construction or acquisition activity. The City of Regina has also been involved in housing through its 5% contributions to both the tri-government cost-shared Public Housing Program and the Provincial-Municipal Land Assembly Program. Additionally, the City has continued to fund Neighbourhood Improvement Programs (NIP) without financial assistance from senior governments.

As Table 2 indicates however, government support for housing has been anything but dedicated. Although there have been numerous programs in Regina, significant annual variations characterize senior government financial commitments. Inconsistent funding has created numerable short term programs (CRSP, CHOSP, Co-ops, Build-a-Home), vacillating long term program productions (Family Public, Senior Public, Public Nonprofit), and has resulted in an uneven production of housing units for the City.

Figure 1 further illustrates this situation: between 1973 and 1983, federally assisted housing starts as a percent of total Regina housing starts have varied from 6% in 1979 and 1980 to 69.7% in 1976 and 40.3% in 1983. Similarly, combined federal-provincial assisted housing starts have varied from 5.2% in 1979 to 80.4% in 1976 and 52.1% in 1982. A point to note is that peak years for senior government assisted housing starts have coincided with the delivery of short-term housing programs not necessarily targeted at low income households.

Table 2. Impact of Government Housing Programs

Program	<u>Federal Assisted Housing Starts, Regina, 1973-1984</u>													
	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
CRSP	0	0	0	0	0	0	0	0	0	48	0	0	0	0
CHOSP	0	0	0	0	0	0	0	0	0	436	460	0	0	0
Urban Native	0	0	0	0	0	0	0	0	0	0	130	45	0	0
Private Nonprofit	0	0	0	0	0	0	0	0	50	16	16	24	0	57
Co-ops	0	0	0	91	0	0	0	0	50	67	103	0	0	0
ARP	0	0	538	1722	0	0	0	0	0	0	0	0	0	0
AHOP	25	108	201	327	931	188	0	0	0	0	0	0	0	0
Total	25	108	739	2140	931	188	0	0	100	567	709	69	0	57

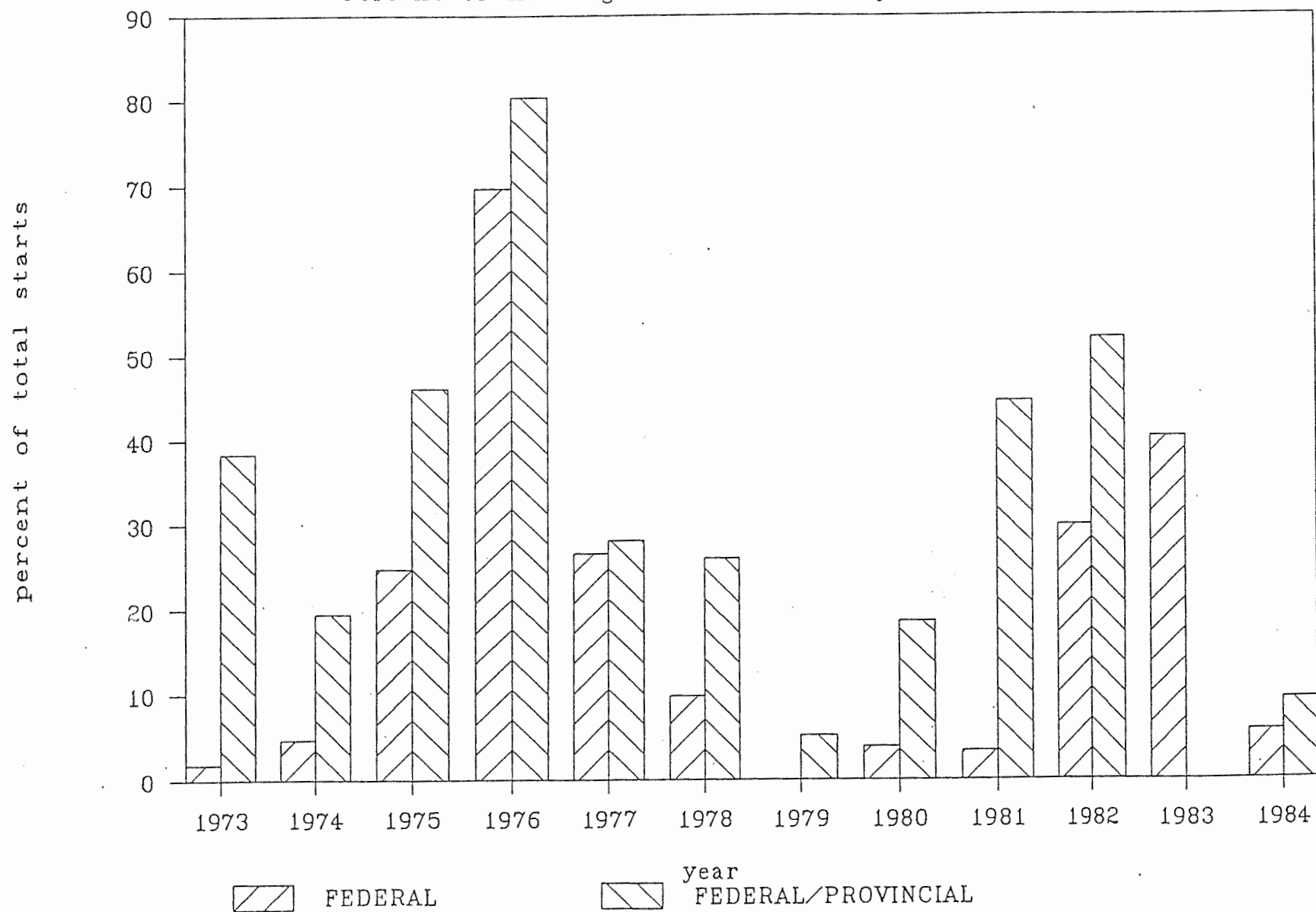
	<u>Provincial Assisted New Production in Regina</u>														
Program	Pre-1973	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Family Public	485	0	30	30	0	17	50	14	39	37	82	22	24	0	0
Seniors Public	0	127	308	150	0	0	247	0	76	144	0	0	0	110	0
Public Nonprofit	0	0	0	73	80	0	0	88	13	61	158	159	20	25	68
Building Co-ops	0	0	0	49	105	37	14	46	130	239	150	0	0	0	0
Urban Native Pilot	0	0	0	0	0	20	12	15	20	110	60	0	0	0	0
Build-A-Home	0	0	0	0	0	0	0	0	0	0	0	1185	0	0	0
Sask. Fam. Home Purchase	0	0	0	0	0	0	0	0	0	0	2	2	1	0	0
Home Build. Ass't. Prog.	0	500	335	339	146	0	0	0	0	0	0	0	0	0	0
Total	485	627	673	821	331	70	608	148	290	772	534	1390	45	135	68

Note: Does not include nursing homes.

Source: Bairstow and Associates Consulting Ltd. and the City of Regina Planning Department based on statistics provided by SHC and CMHC.

Figure 1. HOUSING PROGRAMS IN REGINA (1973-1984)

Percent of Housing Starts Assisted by Government



6.0 WHY SHOULD REGINA HAVE A NONPROFIT HOUSING CORPORATION

There are a variety of reasons why Regina should consider establishing a municipal nonprofit. These reasons fall into the general categories of making the City better informed on housing needs, providing better representation at the provincial and federal levels, improved co-ordination of overall housing expenditures and enhanced capacity to respond to special housing needs areas. These general areas are expanded below:

- the Province, over the last two years, has reduced its previously substantive role in social housing. It has withdrawn from the cost sharing of the federal Urban Native, Rural and Native, and RRAP Programs and remains an active partner in only the Nonprofit and Rent Supplement Programs. Not only does this reduce the number of units delivered in the Province, and accordingly in Regina, it also reduces the influence of the Province and its agent, SHC, in negotiations with CMHC. In essence, the Province (SHC) can no longer be relied upon to effectively present provincial and municipal needs to the senior level of government. A municipal nonprofit could help ensure Regina has a stronger voice.
- the federal government remains very active in housing but it too has reduced annual budget levels.
- a nonprofit corporation, operated by qualified staff, would provide the municipality with the necessary expertise to interpret market trends, housing needs and program requirements and in general be better informed on social housing issues. This is a goal that Council has already adopted but is not likely to achieve unless the municipality hires staff that can be engaged strictly in housing activities. Staff in the current departments have too many other responsibilities to give housing the necessary attention to become better informed.
- a nonprofit corporation could play an effective role in co-ordinating a variety of municipal, provincial and federal initiatives to more effectively respond to the City's social and other housing related goals such as revitalizing older residential neighbourhoods.
- closely related to the above objectives a nonprofit corporation could also help ensure that the actual delivery of provincial and federal program units are more consistently located in specific areas and targeted at specific groups in a fashion more consistent with overall municipal planning objectives.
- a municipal nonprofit has an advantage over other social housing groups in that it can more readily access city owned land for housing projects.

- as a municipal agency working at the grass roots level a nonprofit corporation would be better placed to identify housing problems and requirements than either the provincial or federal agencies.
- a municipal nonprofit could play an effective role in networking with a variety of charitable and other private nonprofit organizations in the City and in this fashion more effectively identify overall social housing needs.
- a municipal nonprofit could also respond to social and other housing needs that are not currently being met by the private sector or public initiatives. There are a variety of special areas such as purchase and renovation of older homes and commercial buildings to accommodate lower income households, housing for families, the homeless and other special needs groups where needs are currently unmet. Municipal nonprofits in other centres have made a practice of responding to those "special niches" in the market that other public and private agencies ignore.

In summary, the uncertainty regarding the current provincial role plus unmet social housing needs suggest a municipal nonprofit could play a positive role in the City of Regina.

7.0 DISADVANTAGES OF ESTABLISHING A MUNICIPAL NONPROFIT IN REGINA

Although there are advantages in a municipality having a nonprofit establishing such an organization also brings with it certain responsibilities, risks, and disadvantages. A number of these are outlined below:

- there would have to be a substantive fiscal commitment from the municipality, particularly in the first few years of operation. Given the current state of municipal finances this is not an easy commitment to make;
- there will be only limited units available from the senior levels of government. Over the past two years only 329 social housing units have been allocated to Regina and 102 of these have been nursing home beds. This will reduce the delivery capacity of a municipal nonprofit and its ability to establish a portfolio. This also reduces revenue generation.
- a municipal nonprofit would have to compete with other nonprofit groups in Regina. Church and charitable organizations constitute most of the active nonprofits in the City. They do not have ongoing building programs so do not actively seek units on an annual basis but there are always requests from some groups waiting for budget units. These requests serve legitimate housing needs.
- related to the above, a municipal nonprofit would also have to justify its existence by proving it could serve needs that cannot be met by other nonprofits in the City. Family housing seems an obvious option in the current situation in Regina.
- establishing a municipal nonprofit would place the City in a grass roots position with respect to property management difficulties. The nonprofit would be directly involved in tenant selection, rent collection, eviction and maintenance issues, and all the problems this entails. It could be argued that a municipal nonprofit, if it were properly structured with its own Board of Directors, could be considered "arms length" from the City. However, this would not completely shelter the City from unpopular decisions made by the nonprofit. Regina Housing Authority is "arms length" from the Saskatchewan Housing Corporation but the Housing Minister still gets calls from unhappy tenants. The Mayor will also get calls.
- given the inconsistency of senior government commitments, the municipal non-profits would be subject to annual fluctuations in financial backing. Without long term planning, be it financial or otherwise, it is difficult to provide a balanced production of units and hence a viable agency.

8.0 A POSSIBLE PORTFOLIO FOR A MUNICIPAL NONPROFIT

All the agencies contacted emphasized the importance of building and maintaining a sizable portfolio of units. The issues surrounding a possible portfolio are outlined below.

- a key to a viable operation is a portfolio of 300 - 500 units. This will generate substantial revenue.
- if this portfolio has to be developed over time at perhaps 50 units per year or less it reduces revenue generation abilities and makes a nonprofit more dependant on other revenue sources such as municipal operating grants.
- there may be an option to take over a portfolio of units if a nonprofit is established. The province has been withdrawing from social housing responsibilities and there are also indications that they may be looking for options to reduce their portfolio responsibilities as well. The most likely source of a portfolio would be the nonprofit units built under Prairie Housing Development (PHD).
- there are 952 PHD units in Regina. If the province does decide to reduce their responsibilities in this area their best option would be to turn units over to other nonprofit agencies. If the units are sold to a private entrepreneur the subsidy is lost and with it the ability to reach low income households. The subsidy can be maintained if units remain with a nonprofit agency.
- although this approach could provide an instant portfolio and perhaps enhance the viability of the nonprofit it is not without risk and cost because:
 - a) if the nonprofit wanted to take over ownership of the part of the PHD portfolio it would have to finance the mortgage costs. Even purchasing the units at book value would mean financing a mortgage of several million. Purchasing 150 units may require capital funding of up to seven million. This would be capital not subsidy dollars and repayment would be built into the rental charges and subsidy payments under the program but it would still require debt financing on the part of the nonprofit or the municipality.
 - b) even with the subsidies under the nonprofit program not all the projects operate without additional provincial subsidy. If the province insisted that the nonprofit take some projects that currently require additional subsidy along with some that do not, then the nonprofit would have to absorb and budget for these additional losses.
 - c) the nonprofit could just take over property management functions and leave ownership with the province. This however, may not be attractive to the province if it is trying to reduce

the portfolio. It would really only replace one property management agency (Regina Housing Authority) with another. Regina Housing is already doing an adequate job. This approach would also do little to give the nonprofit credibility and a separate identity.

- d) the current PHD units are not all occupied by low income households. If the municipal nonprofit purchased these units and wanted to retarget some units to lower income households it would have to deal with the thorny problem of tenant replacement. Replacement with lower income households would also lower rental revenue and increase subsidy costs over and above the subsidies currently built in under the nonprofit program.

In summary the PHD units are a portfolio option but acquiring these units is not without risk. They would, however, provide the nonprofit with an instant portfolio of units that are generally well maintained and offer the possibility of revenue generation.

9.0 BUDGET AND STAFFING IMPLICATIONS

9.1 Revenue Generation

Nearly all municipal nonprofits, with perhaps the exception of the larger agencies such as Toronto, Ottawa, and Peel face difficult funding circumstances. This is largely a function of where the revenue comes from. There are four major sources of revenue for nonprofits:

- 1) operating grants from the local municipality;
- 2) property management fees;
- 3) delivery fees or up-front grants of so many dollars per unit for project design, planning and development; and,
- 4) construction management fees.

Other revenue sources that some nonprofits, particularly larger organizations, depend on include:

- 5) fees for service on a variety of activities they undertake for other private nonprofits or the municipality;
- 6) profits generated by market orientated projects; and,
- 7) revenue from non-housing sources such as rental space in mixed use projects.

Many nonprofits also have interest revenue from operating and reserve funds they maintain in interest bearing accounts or from revolving funds that were set up when organizations were initially established.

As indicated for smaller nonprofits, particularly those that a nonprofit in Regina might resemble, if it is established, the first four sources are generally the most important. A brief discussion of these categories is included below.

1) Funding from the Local Municipality

- the extent of municipal support of nonprofits tends to vary from one municipality to another, often in association with local economic conditions and the changing composition, perspectives and priorities of municipal councils.

- however, funding from municipalities is by no means the major revenue source of nonprofits. For most it constitutes less than 10% of actual revenues. Winnipeg Housing and Rehabilitation Corporation, for example, receives \$30,000 of its total revenue of \$325,000 from the municipality. Other nonprofits receive less, only a few receive more.
- municipalities, however, also provide income-in-kind in a variety of ways including municipal owned land at reduced prices and technical, planning and policy support from municipal staff in a variety of departments. This support is not always easy to quantify in monetary terms.
- in summary, however, municipal support, financial or otherwise, is definitely not the mainstay of municipal nonprofits in the Canadian context.

2) Property Management Fees

- this is a major source of revenue for nonprofits.
- the fee nonprofits receive varies from agency to agency but 6% of market rents is a reasonable national average that is permitted under federal/provincial nonprofit programs.
- if a nonprofit has 300 units in its portfolio and the average monthly market rent for typical units in the area is \$400.00 the fee per unit per month is \$24.00. The total portfolio would generate \$7200 per month or \$86,400 annually.
- this certainly helps cover staff and operation costs and is justification for keeping property management as an in-house function.

3) Project Delivery Fees

- municipal nonprofits delivering projects under the federal/provincial nonprofit programs are eligible for up-front project funding to support planning, design and other project development functions.
- these delivery fees vary depending on whether it is a federal or provincial program, the nature of the program and the provincial jurisdiction. However, \$800 per unit is a reasonable average that relates well to the federal nonprofit program.
- if a nonprofit delivers a 100 unit project it could receive up to \$80,000.

4) Construction Management Fees

- if the nonprofit acts as the construction manager and on site supervisor during the building of a project it is also eligible for construction management fees. Fees vary from 4% of capital costs on small projects and up to 6% on larger projects of over 50 units.
- assuming per unit capital costs of \$65,000 and a 50 unit project a nonprofit would receive \$130,000 ($\$65,000 \times 50 \times .04$) which can be used to cover staff and operating costs.

It should be noted that in some jurisdictions nonprofits are not eligible for funding under both items three and four above. It appears to depend on what can be negotiated with the senior partners in the area.

If a municipal nonprofit were established in Regina these are the four main funding areas that it would most likely have to depend on, at least initially. The more specialized areas referred to may be future options but only once the nonprofit has developed a very good core staff with substantial experience and expertise as well as considerable stability and viability.

9.2 Staffing

If the City establishes a nonprofit a decision has to be made on staffing levels. Based on discussions with nonprofits across Canada minimum staff, even in a start up phase is three. This would consist of a general manager, property/construction manager and one support staff person to provide clerical/receptionist and some general accounting duties. This level would be sufficient to make the organization functional.

As the portfolio and activity level increase, staff would have to increase accordingly. Nonprofits that currently handle portfolios of 300 - 500 units and deliver 50 - 100 new units annually generally operate with seven staff consisting of a general manager, property manager, construction manager, tenant selection/counselling officer, accounting/budget control officer and two support/clerical staff.

Assuming Regina establishes an organization with an initial staff compliment of three the projected staff costs and associated administrative and office expenses are outlined below. These costs are based on averages obtained from a variety of smaller Canadian nonprofits and should quite adequately reflect the situation that would be experienced in Regina.

Nonprofit Expenses

Category	Annual Expenses \$
Salaries ¹	90,000
Benefits	3,450
H & E Tax	2,000
Group Insurance	4,800
Premises Expenses ²	20,300
Office Expenses ³	14,750
Travel and Entertainment	2,800
Local Mileage	500
Insurance	2,000
Board Expenses	900
Equipment Rental	3,100
Audit Fees	2,650
Reserve Fund ⁴	12,700
Subsidy Reserve Fund ⁵	12,700
Total	172,650

Notes

- 1) based on a general manager at \$40,000, a property/construction manager at \$30,000 and a secretarial/receptionist/bookkeeper at \$20,000. These salaries may be a little conservative.
- 2) rent for space occupied, janitorial, etc.
- 3) supplies, utilities, furniture plus a variety of other costs associated with running an office.
- 4) any viable nonprofit should build a substantial reserve fund to deal with unforeseen costs associated with the operation of the portfolio. It would be very risky not to structure such a fund.
- 5) a subsidy reserve fund should also be established to deal with unforeseen revenue losses on the portfolio.

9.3 Funding Requirements

Assuming for the moment that Regina does establish a nonprofit the possible revenue it could generate to offset these expenses is outlined below:

1) Property Management Fees ¹	\$43,200
assume 150 units @ \$400.00/month x .06	
2) Project Delivery Fees ²	\$20,000
assume 50 units every two years @ \$800/unit	
3) Construction Management Fees	\$65,000
assume 50 units every two years	
@ \$65,000/unit at 4% of capital costs	
Total Revenue	\$128,200
Total Expenses	\$172,650
Municipal Grant Required	\$ 44,450

Notes

- 1) in a setup year or even the first two years it is unlikely the agency could adequately handle property management on more than 150 units. Even obtaining this would depend on the ability to negotiate an arrangement with the province for transfer of some PHD units.
- 2) it would be unreasonable to expect more units than this given current federal/provincial budget levels in the province. Even 50 units every two years may be optimistic given many competing demands for the budget.

The comparison of possible revenues and projected expenses suggests that a municipal operating grant of approximately \$45,000 would be required. Some of these assumptions, however, are in the high risk category. Revenue projections depend on:

- obtaining an instant portfolio of 150 units from the provincial nonprofit program.
- obtaining a commitment of 50 new units every second year.
- accessing both project delivery and construction management fees.

These are high risk assumptions and the \$45,000 municipal operating grant may be the best case scenario. A worst case scenario may be at least double this amount.

This also assumes that rental revenue generated by the portfolio covers all property management expenses other than salaries, office administration, etc. As already pointed out this may not be possible as losses are being incurred on some projects in the Regina portfolio of nonprofit (PHD) units.

If Regina decides to create a nonprofit it would be wise to budget an operating grant of at least \$150,000 per year over the first four to five years of operation. The situation may then justify reduction if the entire portfolio has grown substantially although staff costs would increase with portfolio size.

This level of funding would not really result in a nonprofit vehicle that could take an active role in new initiatives, monitor the market, play an influential role in policy development, etc. It would basically be another nonprofit delivering a few units every couple of years and providing property management for a small portfolio. To provide the agency with the capacity to be more active and influential would require additional funding. In several centres this flexibility has been financed by an up-front grant that can be used as a revolving fund.

In Winnipeg, when the Winnipeg Housing and Rehabilitation Corporation was established, the province provided a \$1,000,000 grant and the City \$100,000 that could be used as a revolving fund for equity financing, purchase of land, property, etc. In effect it was a start-up grant that generated interest revenue as well as the flexibility to invest in other initiatives.

Some nonprofits have been allocated extensive parcels of land by the municipality when they were created. This provided a land base for program units or generated revenue through sales.

If Regina wants an active and influential nonprofit initial up-front funding is necessary. There is little, if any, possibility of the province or federal government cost sharing up-front funding. The City would be on its own. An initial grant of perhaps \$500,000 would help ensure a viable effective nonprofit agency.

In the most recent fiscal year the City provided grants totalling \$324,000. This money was the municipalities 5% contribution to nonprofit projects. This is not an annual commitment but depends on project proceedings in any one year. In addition, the City also contributes to ongoing subsidies under the public housing program which provides units for seniors and families. Over the last five years \$1.5 million has been committed to fund 704 units. In addition, these are funds spent on housing related programs such as NIA. These expenditures indicate the City's willingness to support housing initiatives. These expenditures are also likely to continue even if a nonprofit is established. The Administration should view the support of a nonprofit, if one is established, as over and above these current commitments.

10.0 ADMINISTRATION OF MUNICIPAL NONPROFIT HOUSING CORPORATIONS

Generally, Canadian municipal nonprofit housing corporations are administered through one of two corporate structures; the corporation operated at arms-length from a municipal housing or planning department or, the corporation which functions as an autonomous housing entity. Following is a discussion of the administrative structures adopted by specific municipal nonprofit housing corporations.

10.1 At Arms-Length Corporations

Several Canadian municipal nonprofit housing corporations are administered through a city housing or planning department. These include, for example; City Home (Toronto), City Living (Ottawa), Peel Nonprofit Housing Corporation (Region of Peel), and Durham Region Nonprofit Housing Corporation. Generally, when the municipal nonprofit is administered in such a manner, there is a distinct division of duties between the administering authority and the corporation. In Ottawa for example, the Department of Housing is responsible for policy and program development, land acquisition and management, preplanning of social housing projects, third sector liaison, research information services, market housing, program delivery, maintenance and occupancy standards, and financial and administrative services (Figure 2). City Living (City of Ottawa Nonprofit Housing Corporation) is responsible for project design and construction, property management and maintenance (Figure 3). City Home (Toronto Municipal Nonprofit Housing Corporation) operates in a similar manner: with the exception of on-site superintendents and maintenance crews employed directly by City Home, the City Housing Department staff is responsible for City Home activities, including acquiring and assembling property, site planning and project design, mortgage financing and construction, and the ongoing management of City Home properties once they are occupied. Similarly, Peel's nonprofit (PNPHC) is also administered through the Department of Housing (Figures 4 & 5). All corporate officers of PNPHC are employees of the Region of Peel whose services are provided to PNPHC on a full recovery basis.

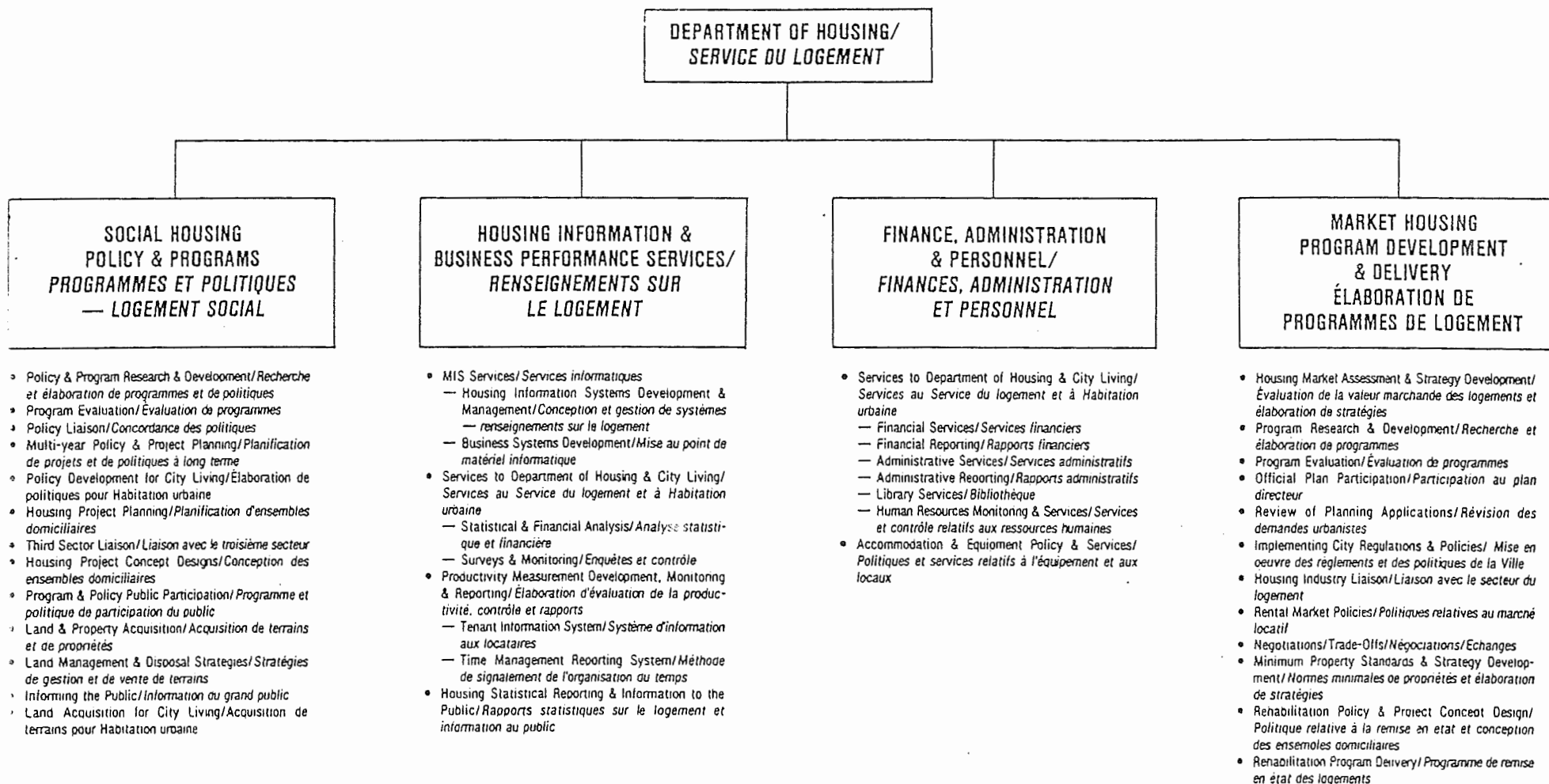
Figure 2.

**GENERAL STRUCTURE & FUNCTIONS
DEPARTMENT OF HOUSING**



City of
Ville d'Ottawa

**STRUCTURE GÉNÉRALE ET FONCTIONS
SERVICE DU LOGEMENT**



Director & 10 staff positions (1 frozen)/
directeur et 10 fonctionnaires (1 poste gelé)

Manager & 4 staff positions (1 frozen)/
1 administrateur et 4 fonctionnaires (1 poste gelé)

Manager & 15 staff positions/
1 administrateur et 15 fonctionnaires

Director & 12 staff positions (3 frozen)/
1 directeur et 12 fonctionnaires (3 postes gelés)

Figure 3.

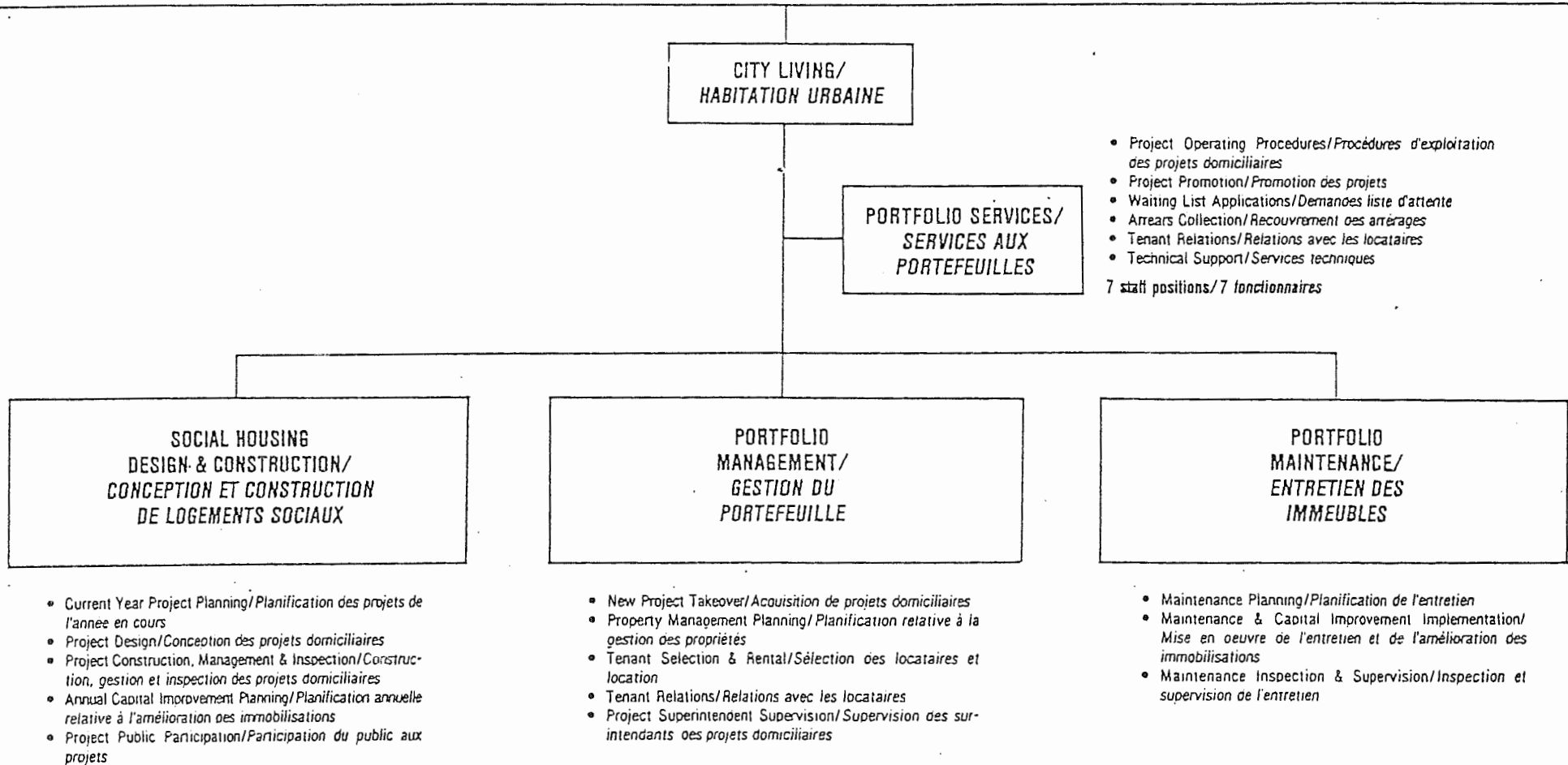


GENERAL STRUCTURE & FUNCTIONS
CITY OF OTTAWA NON-PROFIT
HOUSING CORPORATION (CITY LIVING)

STRUCTURE GÉNÉRALE ET FONCTIONS
SOCIÉTÉ DE LOGEMENT À BUT NON LUCRATIF
DE LA VILLE D'OTTAWA (HABITATION URBAINE)



City of
Ville d' Ottawa



Manager & 6 staff positions/
1 administrateur et 6 fonctionnaires

Divided into 4 property management units.
4 Property Managers & 20 staff positions/
Divisé en quatre unités de gestion des propriétés
4 administrateurs des propriétés et 20 fonctionnaires

Supervisor & 6 staff positions/
1 superviseur et 6 fonctionnaires

Figure 4. Region of Peel Organizational Chart.

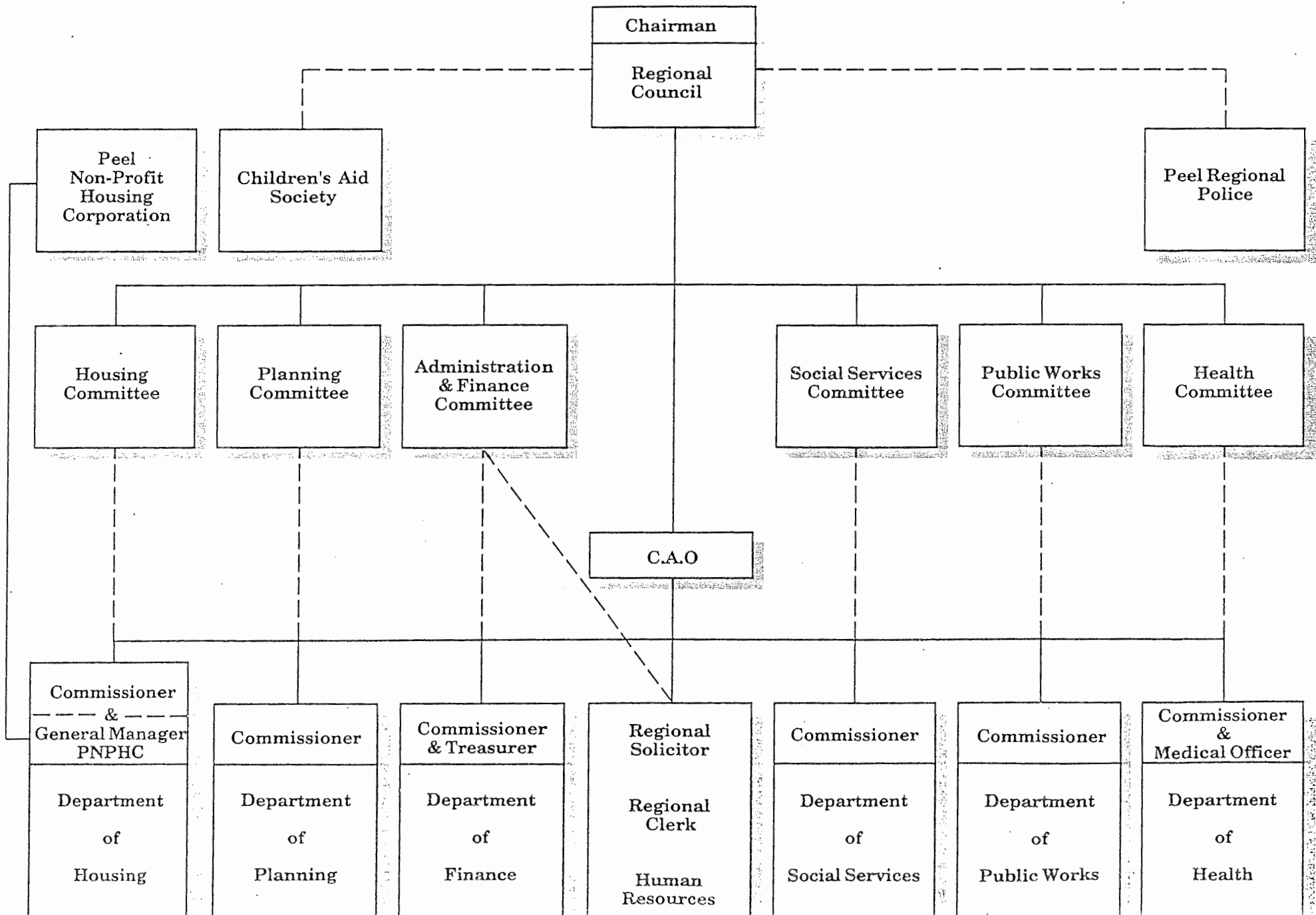
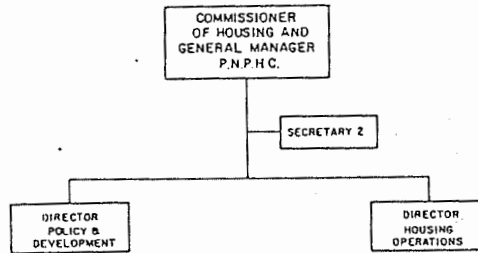
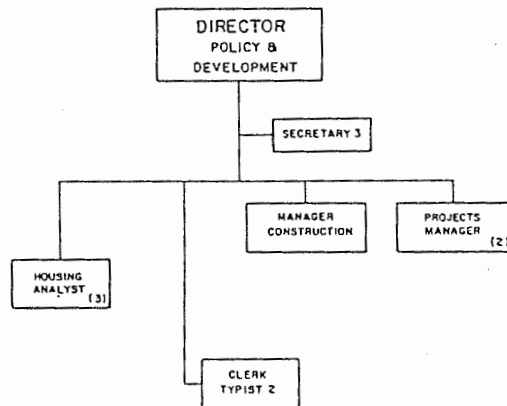


Figure 5. Region of Peel Housing Department.



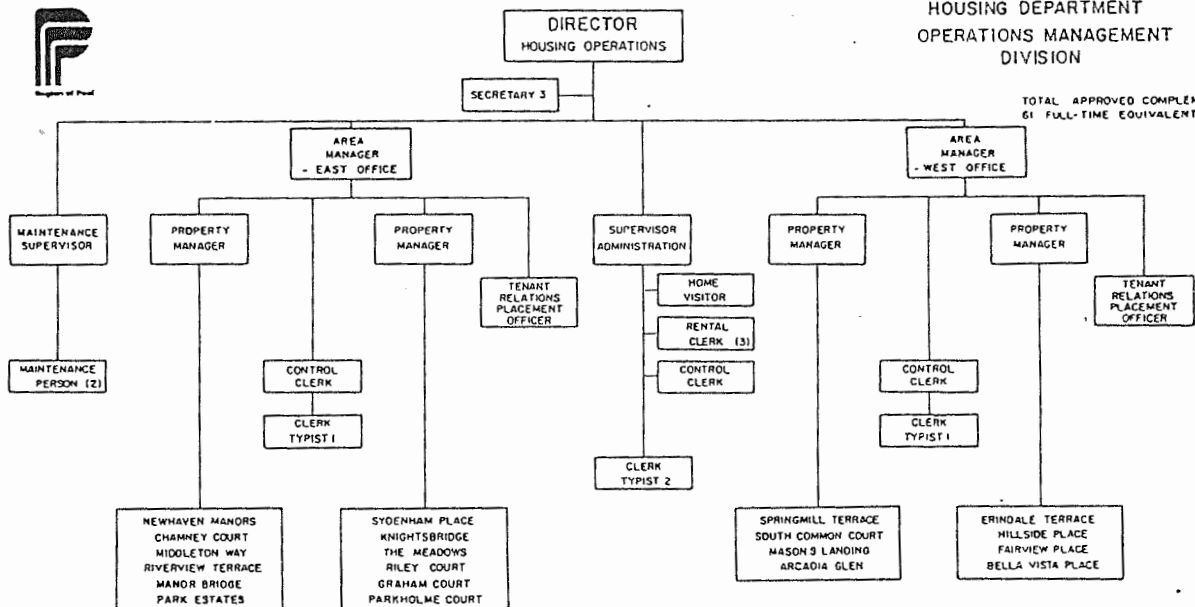
ORGANIZATIONAL CHART

HOUSING DEPARTMENT

TOTAL APPROVED COMPLEMENT
72 FULL-TIME EQUIVALENT

ORGANIZATIONAL CHART

HOUSING DEPARTMENT

POLICY AND DEVELOPMENT
DIVISIONTOTAL APPROVED COMPLEMENT:
9 FULL-TIME EQUIVALENT

ORGANIZATIONAL CHART

HOUSING DEPARTMENT
OPERATIONS MANAGEMENT
DIVISIONTOTAL APPROVED COMPLEMENT
61 FULL-TIME EQUIVALENT

The Durham Region Municipal Nonprofit Housing Corporation is administered through the planning department (Figure 6). The commissioner of Planning and other planning staff provide management and technical services to the corporation. Additional services such as legal, accounting, managerial and secretarial are purchased from other Durham regional offices. The Durham Nonprofit maintain a limited staff; project development officer, property manager, clerical help.

10.2 Autonomous Corporations

Many municipal nonprofits operate as separate legal entities. With respect to those corporations surveyed, most are small; in terms of both staff and unit numbers. Rather than viewing a number of these corporations, the report will focus upon one autonomous municipal nonprofit.

Municipal nonprofit housing in the City of Winnipeg is administered through an autonomous legal entity known as the Winnipeg Housing Rehabilitation Corporation (WHRC) (Figure 7). The Corporation receives funding from senior and municipal governments. Staff members are employees of the Corporation, not the city. Due to its small size, the corporation uses contract professionals; unlike at-arms-length municipal nonprofits, services from municipal planning or other City staff are not rendered. The Corporation is the sole administrator of all necessary housing activities including policy formulation and project preplanning through to the management and maintenance of the inventory. The City's ability to influence the objectives, policies and activities of WHRC rests mainly on its powers of appointment to WHRC's Board and whether it adopts ancillary policies which facilitate or inhibit WHRC's activities.

Figure 6.

DURHAM REGION NON-PROFIT HOUSING CORPORATION

Staff Organization

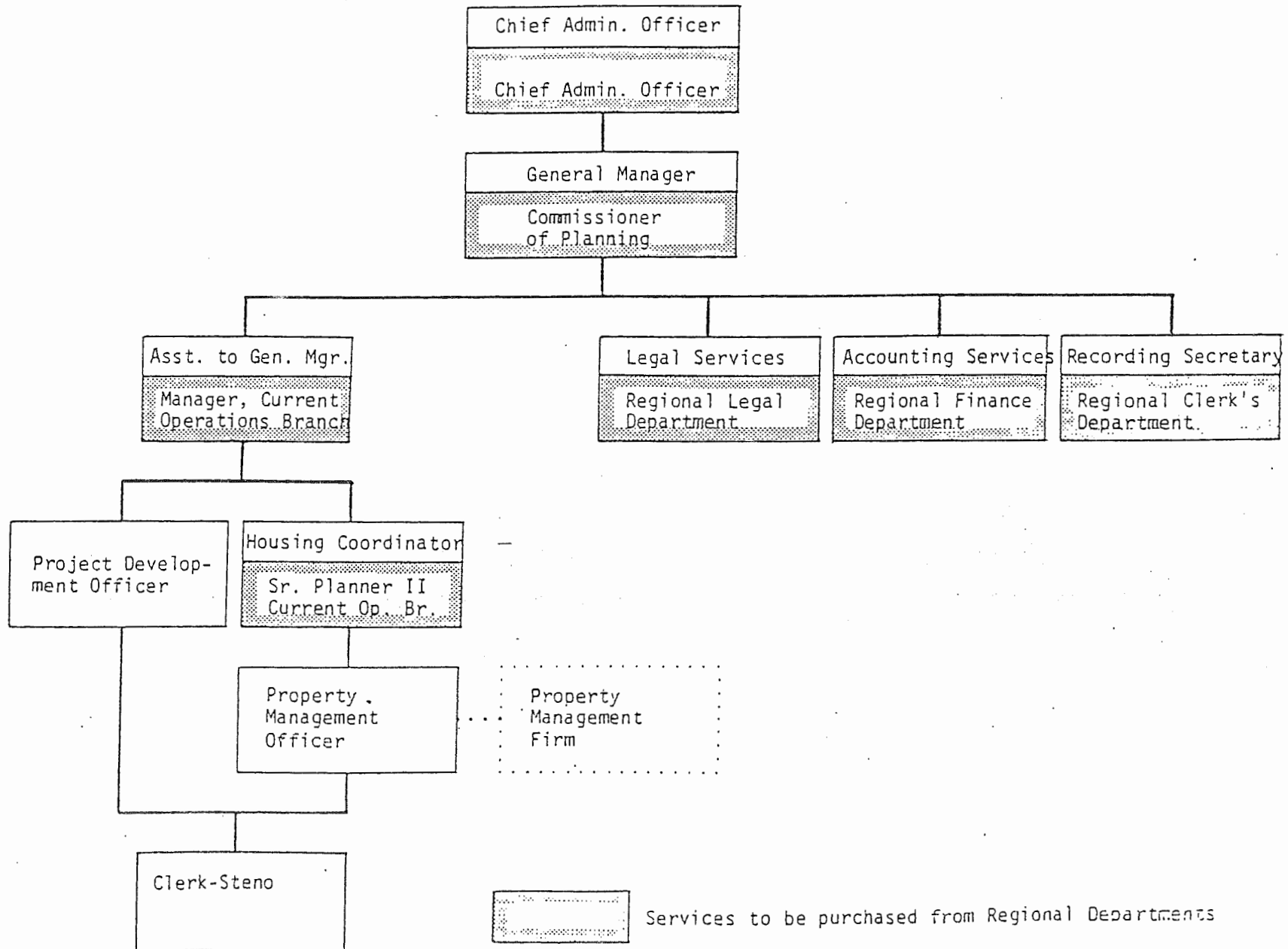
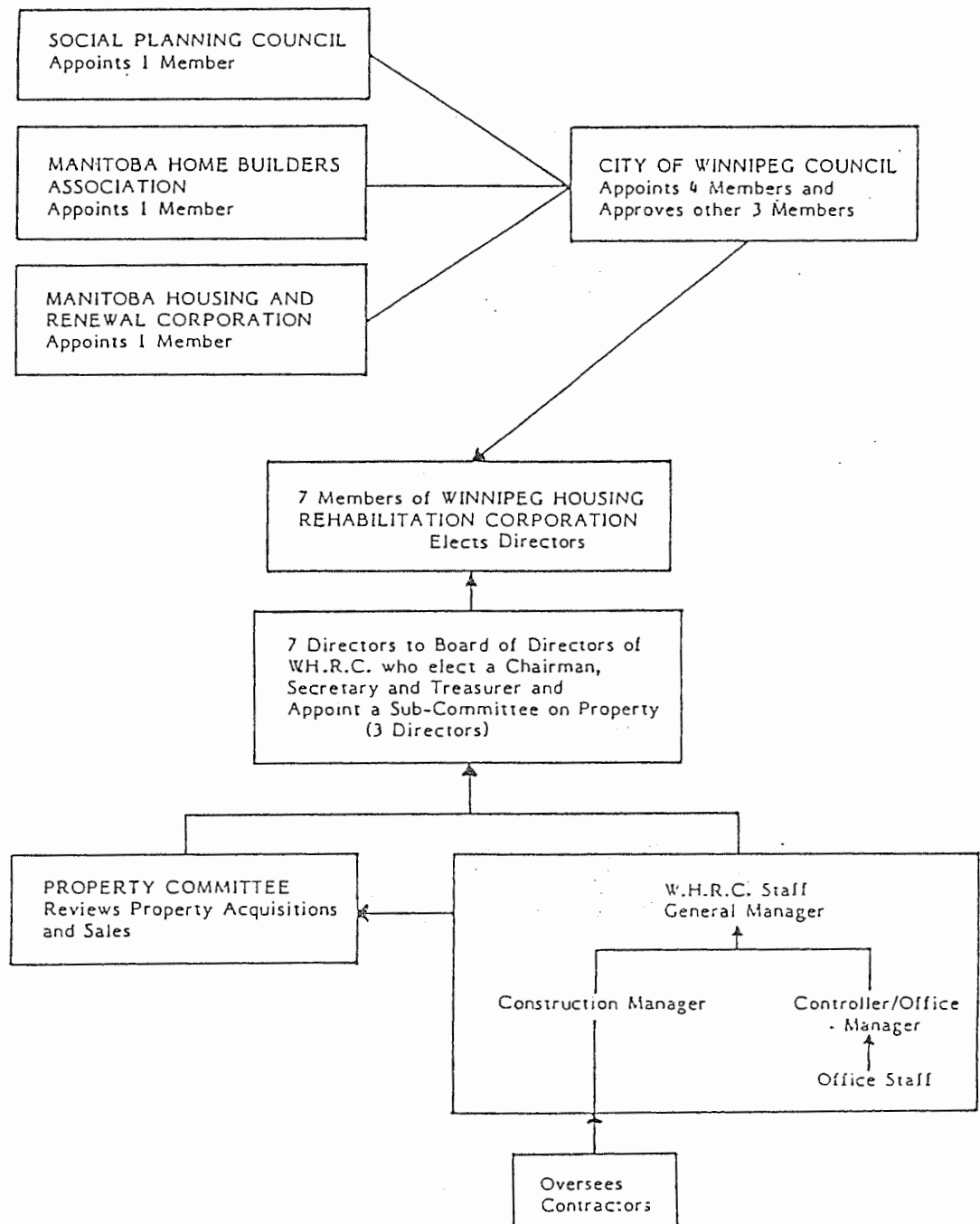


Figure 7. Organization of WHRC



10.3 Summary

An autonomous corporation is even more "at-arms-length" and removes the City further from delivery and management problems. However, given the extensive support the municipality must provide to any agency that is created, Regina may be well advised to develop a corporation that is more closely associated with another City department.

11.0 CONCLUSION

The preceding discussion documents the rationale for creating a municipal nonprofit in the City of Regina. At the same time it clearly points out the risks and responsibilities that are associated with the creation of such an agency.

A nonprofit could play a very constructive role for the municipality, working at the grass roots to identify housing problems, co-ordinating a variety of municipal, federal and provincial initiatives and actively delivering and managing projects for a variety of low income and special needs groups. Given proper political and financial backing a municipal nonprofit could play a very effective housing role in the City.

Creating such an agency is not without risks and problems. Strong policy and financial support from the City is necessary. It would also involve the City more directly in many of the thorny problems associated with property management and program delivery that it currently avoids by leaving such responsibilities to the senior levels of government. Unless the City is prepared to accept these problems and provide the necessary financial support it should not entertain the idea of establishing a nonprofit.